

WOODBURY COUNTY AREA SOLID WASTE AGENCY

INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENT AND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2008

TABLE OF CONTENTS

| | <u>Page</u> |
|---|----------------|
| Officials | 3 |
| Independent Auditor's Report | 4 |
| Management's Discussion and Analysis | 5-7 |
| Financial Statement: | |
| | <u>Exhibit</u> |
| Statement of Cash Receipts, Disbursements, and | |
| Changes in Cash Basis Net Assets | A 8-9 |
| Notes to Financial Statement | 10-14 |
| Independent Auditor's Report on Internal Control over | |
| Financial Reporting and on Compliance and Other Matters | |
| Based on an Audit of a Financial Statement Performed in | |
| Accordance with <i>Government Auditing Standards</i> | 15-16 |
| Schedule of Findings | 17-19 |

WOODBURY COUNTY AREA SOLID WASTE AGENCY

OFFICIALS

| <u>Name</u> | <u>Title</u> | <u>Representing</u> |
|-------------------|-------------------|-------------------------|
| Gary Merkel | Chairperson | City of Cushing |
| Max Dunnington | Vice-Chairperson | City of Pierson |
| Randy Kirchner | Member | City of Correctionville |
| Dale Petersen | Member | City of Sergeant Bluff |
| Don Ronfeldt | Member | City of Bronson |
| Robert Mohrhauser | Member | City of Danbury |
| Jeff Nitzschke | Member | City of Lawton |
| Al Wingert | Member | City of Moville |
| Dave Dorale | Member | City of Oto |
| Linda Cox | Member | City of Salix |
| Darrell Iverson | Member | City of Sloan |
| Mark Cloud | Member | City of Anthon |
| Doug Walish | Member | Woodbury County |
| Mark Monson | Member | Woodbury County |
| Nancy Countryman | Secretary/Manager | |

HUNZELMAN, PUTZIER & CO., PLC
CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
KEITH C. GERMAN, C.P.A.
RICHARD R. MOORE, C.P.A.
WESLEY E. STILLE, C.P.A. (RETIRED)
KENNETH A. PUTZIER, C.P.A. (RETIRED)
W.J. HUNZELMAN, C.P.A. 1921-1997

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Independent Auditor's Report

To the Members of Woodbury
County Area Solid Waste Agency

We have audited the accompanying financial statement of Woodbury County Area Solid Waste Agency as of and for the year ended June 30, 2008. This financial statement is the responsibility of the Agency's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, this financial statement is prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of Woodbury County Area Solid Waste Agency as of June 30, 2008, and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2009, on our consideration of Woodbury County Area Solid Waste Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 5 through 7 is not a required part of the financial statement, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

January 14, 2009

Hunzelman, Putzier & Co.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Woodbury County Area Solid Waste Agency provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities of Woodbury County Area Solid Waste Agency is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the Agency's financial statement, which follows.

2008 FINANCIAL HIGHLIGHTS

Operating receipts increased 10%, or approximately \$67,000, from fiscal 2007 to fiscal 2008.

Operating disbursements increased approximately \$134,000, or 28%, from fiscal 2007 to fiscal 2008.

Cash basis net assets increased 12%, or approximately \$53,000, from June 30, 2007, to June 30, 2008.

USING THIS ANNUAL REPORT

The Agency has elected to present its financial statement on the cash basis of accounting. The cash basis of accounting is a basis of accounting other than U.S. generally accepted accounting principles. Basis of accounting refers to when financial events are recorded, such as the timing for recognizing revenues, expenses, and the related assets and liabilities. Under the cash basis of accounting, revenues and expenses and the related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of this cash basis of accounting, certain assets and their related revenues and liabilities, and their related expenses, are not recorded in this financial statement. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

The annual report is presented in a format consistent with the presentation of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the cash basis of accounting.

This discussion and analysis are intended to serve as an introduction to the financial statement. The annual report consists of the financial statement and other information, as follows:

Management's Discussion and Analysis introduces the financial statement and provides an analytical overview of the Agency's financial activities.

The Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Net Assets presents information on the Agency's operating receipts and disbursements, non-operating receipts and disbursements, and whether the Agency's financial position has improved or deteriorated as a result of the year's activities.

The Notes to Financial Statement provides additional information essential to a full understanding of the data provided in the financial statement.

FINANCIAL ANALYSIS OF THE AGENCY

Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Net Assets

The purpose of the statement is to present the receipts received by the Agency and the disbursements paid by the Agency, both operating and non-operating. The statement also presents a fiscal snapshot of the cash balance at year end. Over time, readers of the financial statement are able to determine the Agency's cash basis financial position by analyzing the increase and decrease in cash basis net assets.

Operating receipts are received for gate fees from accepting solid waste and assessments from the members of the Agency. Operating disbursements are disbursements paid to operate the landfill. Non-operating receipts and disbursements are for interest on investments, equipment purchases, and debt service principal and interest payments. A summary of cash receipts, disbursements, and changes in cash basis net assets for the years ended June 30, 2008, and June 30, 2007, is presented below:

| | <u>Changes in Cash Basis Net Assets</u> | |
|--|---|------------------|
| | <u>Year Ended June 30,</u> <u>2008</u> | <u>2007</u> |
| Operating receipts: | | |
| City and County assessments | \$385,502 | \$387,711 |
| User fees and gate receipts | 255,761 | 222,707 |
| Recyclable receipts | 58,697 | 27,939 |
| Salvage receipts | 17,392 | 11,938 |
| Miscellaneous | 939 | 607 |
| Total operating receipts | <u>718,291</u> | <u>650,902</u> |
| Operating disbursements: | | |
| Salaries and benefits | 257,096 | 210,741 |
| Fuel, oil, and lubricants | 22,301 | 19,262 |
| Operating supplies and repairs | 29,650 | 23,536 |
| Engineering and testing services | 14,700 | 12,509 |
| Insurance | 28,503 | 18,919 |
| Garbage Hauling | 222,271 | 154,593 |
| Other | 35,725 | 36,776 |
| Total operating disbursements | <u>610,246</u> | <u>476,336</u> |
| Excess of operating receipts over operating disbursements | <u>108,045</u> | <u>174,566</u> |
| Non-operating receipts (disbursements): | | |
| Interest on investments | 17,538 | 18,608 |
| Loan proceeds | - | 17,962 |
| Capital improvements | - | (12,306) |
| Equipment purchases | (3,666) | (55,526) |
| Engineering | - | (20,663) |
| Closure costs | - | (242,354) |
| Penalty on redemption of annuity | (17,618) | - |
| Principal payments on debt | (41,111) | (37,529) |
| Interest payments on debt | (10,354) | (6,326) |
| Net non-operating disbursements | <u>(55,211)</u> | <u>(338,134)</u> |
| Net change in cash basis net assets | 52,834 | (163,568) |
| Cash basis net assets, beginning of year | <u>432,743</u> | <u>596,311</u> |
| Cash basis net assets, end of year | <u>\$485,577</u> | <u>\$432,743</u> |

FINANCIAL ANALYSIS OF THE AGENCY - (Continued)

Cash Basis Net Assets

Restricted for:

| | | |
|-----------------------------|------------------|------------------|
| Closure | \$ 19,194 | \$ 18,708 |
| Post-closure | 409,682 | 399,300 |
| Transfer station closure | 8,847 | - |
| Total restricted net assets | 437,723 | 418,008 |
| Unrestricted | 47,854 | 14,735 |
| Total cash basis net assets | <u>\$485,577</u> | <u>\$432,743</u> |

In fiscal 2008, operating receipts increased by \$67,000, or 10%. This increase in receipts was primarily because the recycling market was very high. The salvaging of metal was also high and a hardware store is now collecting old appliances that needed to be recycled. Also, we are getting more traffic through the transfer station.

In fiscal 2008, operating disbursements increased by \$134,000, or 28%, from fiscal 2007. The increase in disbursements was primarily due to the closing of the construction and demo sites which resulted in the tonnage getting transferred out creating increased fees to the hauler. In addition, the price of fuel and gas increased. The Agency made updates and repairs on buildings to help reduce electricity costs, and there was maintenance and repairs on all vehicles used to recycle.

A portion of the Agency's net assets, \$437,723 (90%), is restricted for closure and post-closure care. State and federal laws and regulations require the Agency to place a final cover on the landfill site and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure. The remaining net assets, \$47,854 (10%), are unrestricted net assets that can be used to meet the Agency's obligations as they come due. Restricted net assets increased \$19,715, or 5%, during the year due to the updated costs to close and monitor the landfill. Unrestricted net assets increased \$33,119, or 225%, during the year.

LONG-TERM DEBT

At June 30, 2008, the Agency had \$132,220 of debt outstanding compared to \$173,331 in 2007. See Note 3 for additional details.

ECONOMIC FACTORS

The past year at the landfill was busy with increases in the recycling program and the IDNR wanted to close the construction/demo site. The landfill tried very hard to challenge the closing of the demo area. The site had an estimated remaining life of approximately ten years but the rule changes made it mandatory for us to totally become a transfer station for garbage and construction materials. The closing of the demo/construction areas has increased the tonnage transferred to Jackson, Nebraska.

The recycling market and the salvage market were very strong and created a nice cash flow. The next year will be a challenge because the market is very low and is expected to remain low for the next several months.

The facilities and all equipment require constant maintenance and repairs. The Agency anticipates the next five years will be financially challenging and will require close monitoring of resources to ensure the Agency's ability to react to unknown issues and to repay the money borrowed for the new transfer station and the recycling equipment. The IDNR is always a constant concern because of the additional requirements they create for landfills and transfer stations.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Agency's citizens, taxpayers, customers, and creditors with a general overview of the Agency's finances and to show its accountability for the money it receives. If there are questions about this report or a need for additional financial information, contact Woodbury County Area Solid Waste Agency, 200 Ida Avenue, Merville, Iowa.

WOODBURY COUNTY AREA SOLID WASTE AGENCY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BASIS NET ASSETS
YEAR ENDED JUNE 30, 2008

Exhibit A

| | |
|--|-------------------|
| Operating receipts: | |
| City and County assessments | \$ 385,502 |
| User fees and gate receipts | 255,761 |
| Salvage receipts | 17,392 |
| Recyclable receipts | 58,697 |
| Miscellaneous | 939 |
| Total operating receipts | <u>718,291</u> |
| Operating disbursements: | |
| Salaries and benefits | 257,096 |
| Fuel, oil, and lubricants | 22,301 |
| Operating supplies and repairs | 29,650 |
| Office supplies | 3,362 |
| Telephone | 2,417 |
| Utilities | 5,955 |
| Travel and continuing education | 2,090 |
| Insurance | 28,503 |
| Engineering and testing services | 14,700 |
| Accounting and legal | 3,561 |
| License and permits | 856 |
| Garbage hauling | 222,271 |
| Tire disposal | 4,885 |
| Recycle processing and disposal | 10,291 |
| Miscellaneous | 2,308 |
| Total operating disbursements | <u>610,246</u> |
| Excess of operating receipts over operating disbursements | <u>108,045</u> |
| Non-operating receipts (disbursements): | |
| Interest on investments | 17,538 |
| Penalty on redemption of annuity | (17,618) |
| Equipment purchases | (3,666) |
| Interest payments on debt | (10,354) |
| Principal payment on debt | (41,111) |
| Net non-operating disbursements | <u>(55,211)</u> |
| Net change in cash basis net assets | 52,834 |
| Cash basis net assets, beginning of year | <u>432,743</u> |
| Cash basis net assets, end of year | <u>\$ 485,577</u> |

(Continued)

WOODBURY COUNTY AREA SOLID WASTE AGENCY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BASIS NET ASSETS
YEAR ENDED JUNE 30, 2008

Exhibit A
(Continued)

Cash Basis Net Assets

Restricted for:

| | |
|-----------------------------|--------------|
| Closure | \$ 19,194 |
| Postclosure | 409,682 |
| Transfer station closure | <u>8,847</u> |
| Total restricted net assets | 437,723 |

Unrestricted

| | |
|-----------------------------|--------------------------|
| Total cash basis net assets | <u><u>\$ 485,577</u></u> |
|-----------------------------|--------------------------|

See notes to financial statement.

WOODBURY COUNTY AREA SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2008

1. Summary of Significant Accounting Policies

Woodbury County Area Solid Waste Agency was formed pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Agency is to develop, operate, and maintain solid waste facilities in Woodbury County on behalf of the units of government which are members of the Agency.

The governing body of the Agency is composed of one representative from each of the twelve member cities and two representatives from Woodbury County. The representatives are appointed by the participating political subdivisions and each has one vote.

A. Reporting Entity

For financial reporting purposes, Woodbury County Area Solid Waste Agency has included all funds, organizations, agencies, boards, commissions, and authorities. The Agency has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statement to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the Agency. The Agency has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Agency are organized as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the acquisition, operation, and maintenance of governmental facilities and services supported by user charges.

Enterprise Funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

C. Basis of Accounting

Woodbury County Area Solid Waste Agency maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Agency is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items, including the estimated payables for closure and post-closure care. Accordingly, the financial statement does not present the financial position and results of operations of the Agency in accordance with U.S. generally accepted accounting principles.

D. Net Assets

Funds set aside for payment of closure and post-closure care are classified as restricted.

WOODBURY COUNTY AREA SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2008

2. Cash

The Agency's deposits in banks at June 30, 2008, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Agency; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk - The Agency's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the Agency.

3. Loans

The Agency has obtained an interest-free loan from the Iowa Department of Natural Resources for an expansion of the Agency's recycling program. The amount borrowed under this loan was \$81,361, with \$20,000 considered forgivable and not required to be repaid. Payments of \$2,822 are due quarterly with the final payment due July 15, 2011. The balance of this loan was \$34,041 on June 30, 2008.

The Agency entered into a long-term loan with American National Bank on August 25, 2006, to finance the construction of a transfer station at an interest rate of 8%. Advances totaling \$149,500 were made under this loan agreement. Payments of \$5,000 plus interest are due quarterly with a final payment of \$38,179 due on July 15, 2011. The loan balance was \$98,179 as of June 30, 2008.

Annual debt service requirements to maturity for the above loans are as follows:

| <u>Year Ending</u> <u>June 30,</u> | <u>Interest</u> <u>Rates</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------------|---------------------------------|------------------|-----------------|------------------|
| 2009 | 8.00% | \$ 31,287 | \$ 7,254 | \$ 38,541 |
| 2010 | 8.00 | 31,287 | 5,654 | 36,941 |
| 2011 | 8.00 | 31,287 | 4,054 | 35,341 |
| 2012 | 8.00 | <u>38,359</u> | <u>764</u> | <u>39,123</u> |
| | | <u>\$132,220</u> | <u>\$17,726</u> | <u>\$149,946</u> |

WOODBURY COUNTY AREA SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2008

4. Pension and Retirement Benefits

The Agency contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA, 50306-9117.

Plan members are required to contribute 3.90% of their annual covered salary and the Agency is required to contribute 6.05% of annual covered payroll. Contribution requirements are established by state statute. The Agency's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006, were \$11,739, \$9,308 and \$8,432 respectively, equal to the required contributions for each year.

5. Compensated Absences

Agency employees accumulate a limited amount of earned but unused vacation leave hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the Agency until used or paid. The Agency's approximate liability for earned vacation payments at June 30, 2008, was \$9,705. This liability has been computed based on rates of pay in effect at June 30, 2008.

6. Closure and Post-closure Care

To comply with federal and state regulations, the Agency is required to complete a monitoring system plan and a closure/post-closure plan and to provide funding necessary to effect closure and post-closure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year post-closure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and post-closure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and post-closure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period.

Estimated total costs consist of four components: (1) the cost of equipment and facilities used in post-closure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the post-closure period, and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

WOODBURY COUNTY AREA SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2008

6. Closure and Post-closure Care - (Continued)

These costs for the Agency have been estimated to be \$19,194 for closure and \$409,682 for post-closure, for a total of \$428,876 as of June 30, 2008. The landfill has no remaining life and was completely closed during the fall of 2006.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and post-closure accounts to accumulate resources for the payment of closure and post-closure care costs. The Agency has accumulated the resources necessary to fund these costs and, at June 30, 2008, assets of \$428,876 are restricted for these purposes, of which \$19,194 is for closure and \$409,682 is for post-closure care. They are reported as restricted cash basis net assets on the Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Net Assets.

7. Risk Management

The Agency is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 563 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses, and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Agency's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The Agency's contributions to the Pool were \$10,323 for the year ending June 30, 2008.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

WOODBURY COUNTY AREA SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2008

7. Risk Management - (Continued)

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2008, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The Agency also carries commercial insurance purchased from other insurers for coverage associated with workers compensation. The Agency assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

8. Transfer Station Closure Care

To comply with state regulations, the Agency is required to complete a closure plan detailing how the transfer station will comply with proper disposal of all solid waste and litter at the site, cleaning the transfer station building, including the rinsing of all surfaces that have come into contact with solid waste or washwater, cleaning of all solid waste transport vehicles that will remain on site, including the rinsing of all surfaces that have come into contact with solid waste, and the removal and proper management of all washwater in the washwater management system.

To comply with state regulations, the Agency is required to maintain a closure account as financial assurance for the closure care costs. The effect of the state requirement is to commit landfill owners to perform certain closing functions as a condition for the right to operate the transfer station in the current period.

The total closure care costs for the Agency as of June 30, 2008, have been estimated at \$8,847. The balance has been restricted and is fully funded at June 30, 2008.

9. Solid Waste Hauling Contract

The Agency entered into a contract for the hauling of solid waste. Under the terms of this contract, the contractor will haul the Agency's solid waste from the Agency's transfer station to the contractor's landfill site. During the year ended June 30, 2008, the contractor was paid \$222,271, pursuant to this agreement.

HUNZELMAN, PUTZIER & CO., PLC
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of a Financial Statement Performed in
Accordance with Government Auditing Standards

To the Members of Woodbury
County Area Solid Waste Agency

We have audited the accompanying financial statement of Woodbury County Area Solid Waste Agency as of and for the year ended June 30, 2008, and have issued our report thereon dated January 14, 2009. Our report expressed an unqualified opinion on the financial statement, which was prepared in conformity with another comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the Agency's financial statement that is more than inconsequential will not be prevented or detected by the Agency's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the Agency's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described in the Schedule of Findings, we believe items (A), (B), and (C) are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Woodbury County Area Solid Waste Agency's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2008, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Agency. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The Agency's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusion on the responses, we did not audit the Agency's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Woodbury County Solid Waste Agency and other parties to whom the Agency may report. This report is not intended to be and should not be used by anyone other than these specified parties.

January 14, 2009

Henzelman, Putzier & Co.

WOODBURY COUNTY AREA SOLID WASTE AGENCY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Findings Related to the Financial Statement:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

- A. Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that bank deposits, opening mail, recording receipts and disbursements, checks and payroll preparation, and bank reconciliation are all handled by either of two individuals.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the Agency should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response - Copies of the paid warrants are mailed monthly to all board members and a list of warrants to be paid is presented at every board meeting along with invoices to be reviewed. The landfill has a second employee to reconcile monthly bank statements and prepare the monthly and quarterly tax reports. There are two employees that do the payroll and pay bills. The monthly warrants presented to the board are signed at the monthly meeting.

Conclusion - Response accepted.

- B. Financial Reporting - We noted that while management is capable of preparing accurate financial statements that provide information sufficient for the Board to make management decisions, reporting financial data reliably in accordance with an other comprehensive basis of accounting (OCBOA) requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. Management presently lacks the qualifications and training to appropriately fulfill these responsibilities, which is a common situation in small entities.

Recommendation - Obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses should help management significantly improve in the ability to prepare and take responsibility for reliable OCBOA financial statements.

Response - The Agency has relied upon the expertise of the auditor to provide recommendations related to accounting principles as part of their role during the auditing process. The auditor routinely recommends adjustments to the year-end statements following the audit.

In addition, the Agency has a part-time employee with a degree in business that assists with the routine accounting and financial activities. The manager and the part-time employee will review accounting literature and educational material that are relevant to the Agency.

Conclusion - Response accepted.

WOODBURY COUNTY AREA SOLID WASTE AGENCY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Findings Related to the Financial Statement: - (Continued)

SIGNIFICANT DEFICIENCIES: - (Continued)

- C. Manager Payroll - In May, 2008, it appears the manager received an extra pay check. This was eventually discovered and corrected in September, 2008.

Recommendation - Controls should be implemented to prevent this from occurring. All checks and supporting documentation should be reviewed by someone other than the person preparing the checks before issuing.

Response - There was a mistake in payroll in the month of May, 2008. The error was discovered in September, 2008 by the manager. In order to rectify the problem, the manager withheld one of her paychecks in the month of September, 2008. The auditors calculated that due to her pay raise in July, the manager actually shorted herself approximately \$200.00 for the year. The manager has not requested this amount be returned to her. It has been determined that this error may have occurred because the manager is on a different payroll schedule (twice per month) than the other employees (weekly) and a check was inadvertently printed with the others. In order to help prevent this from happening again, the manager suggests making the payroll schedule the same for all employees or just be more attentive when doing the payroll.

Conclusion - Response accepted.

Other Findings Related to Statutory Reporting:

1. Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
2. Travel Expense - No disbursements of Agency money for travel expenses of spouses of Agency officials or employees were noted.
3. Business Transactions - Business transactions between the Agency and Agency officials or employees are detailed as follows:

| <u>Name, Title, and Business Connection</u> | <u>Transaction Description</u> | <u>Amount</u> |
|---|------------------------------------|---------------|
| Owner of J.J. Motor, Inc. is the brother of the Agency Manager | Repairs, parts | \$5,429 |

Recommendation - The board should determine that the transactions do not represent a conflict of interest.

Response - The Agency had been doing business with J&J Motor before the manager came to work for the landfill. J&J Motors has been in business for 30 years, have certified technicians to do the mechanical work, and have a building large enough to do repairs on the recycling truck.

Conclusion - Response accepted.

WOODBURY COUNTY AREA SOLID WASTE AGENCY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Other Findings Related to Statutory Reporting: - (Continued)

4. Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.
5. Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Agency's investment policy were noted.
6. Solid Waste Tonnage Fees Retained - During the year ended June 30, 2008, the Agency did not retain solid waste fees in accordance with Chapter 455B.310 of the Code of Iowa.
7. Financial Assurance - The Agency has elected to demonstrate financial assurance for closure and post-closure care by establishing a local government dedicated fund as provided in Chapter 567-113.14(6) of the Iowa Administrative Code. The details are as follows:

| | <u>Closure</u> | <u>Post Closure</u> |
|---|-----------------|---------------------|
| Total estimated costs for closure and post-closure care | <u>\$19,194</u> | <u>\$409,681</u> |
| Amount Agency has restricted and reserved for closure and post-closure care at June 30, 2008 | <u>\$19,194</u> | <u>\$409,681</u> |